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Morgan, C.W., & Co.,

Bankers and Brokers

How to speculate successfully in Wall Street

[New York?]

[c1900]

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New York

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How to Speculate Successfully in Wall Street

C. W. MORGAN & CO.

Bankers and Brokers

NEW YORK

Members New York Consolidated Stock Exchange

MAIN OFFICE, 71 BROADWAY

Branch Office, 1440 Broadway
For Uptown Traders

PHILADELPHIA OFFICE

Drexel Building,
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Preface

WITH the object constantly before us of diffusing more light, and better light, on the subject of Wall Street Speculation, we have endeavored to make our remarks as clear and concise as possible.

Our special aim has been to present the business of dealing in Stocks and Grain in a manner so explicit and brief as to be readily grasped by those whose ideas heretofore have been vague and poorly formed as regards such matters.

Our chapter on "Short Selling" is particularly to the point, making the mysteries connected with Bear operations as easy to understand as the hard, cold facts usually encountered on the Bull side.

Simply a short, sincere talk on the subject of Money making; the Quickest way to make it, the Safest way to make it, and the Easiest way to Keep it after it's once acquired.

C. W. MORGAN & CO.

C. W. MORGAN

WALL STREET Speculation

It is the fascination which attends speculation in stocks that works so much damage and ruins so many fortunes.

A great many people have the idea that it is impossible to continue successful operations in Wall Street for any length of time, but this is a mistake. You can secure for yourself a good income regularly every month if you go about it right, determined to hold yourself in check and do nothing foolish. And yet, while it is a self-evident fact that a fool and his money in Wall Street would soon part, it does not necessarily follow that only a wise man can succeed; for in the majority of cases it is the so-called "wise man" who eventually plays the fool.

Few writers on this subject, strange to say, hit upon the real causes of success and failure, and the secret is tersely summoned up in the following proposition: The average trader attempts to accomplish too much in a given period of time.

If you had $10,000 in cash and were to invest this entire sum in some ordinary branch of mercantile business you would consider that you were in possession of a good paying business if it netted you $2,000 income per year, or 20% on your investment. Yet, if you entertained the hopes and ambitions of the average speculator you would, upon entering Wall Street, expect to double your capital every two or three

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months. To do this you would have to "plunge," and, while you might be successful for a few weeks, you would eventually get caught in some runaway slump and almost before you realized it your capital would have vanished.

SPECULATION A BUSINESS—NOT A MERE PASTIME.

It is the man who makes a BUSINESS of speculating that succeeds. He realizes that, purely as a business, it is much more preferable and remunerative than any mercantile business he could engage in, even if his profits at the end of the year were no larger, because there is no worry connected with it for the man who trades carefully, the hours are short and agreeable, he can "take a day off" at any time without impairing his interests and he has no losses to charge up to bad debts.

To accomplish his ends he uses precisely the same reasoning qualities that you would make use of if you were going to run a grocery store or manage a skating rink. Perhaps you think skating rinks and grocery stores are only remotely connected with Wall Street, but, after all, the similarity is very great.

If you owned a grocery and observed that the potato crop in your section was a failure, or promised to be, you would buy up all the potatoes you could find, knowing that later on you could sell them at much higher prices.

And if you leased a skating rink early in the winter and kept it open to good business for three or four months you would be only too glad to dispose of it at a good price when you saw signs of Winter giving place to Spring.

Just so with the successful trader. He knows that there is ALWAYS a reaction to EVERY move and relies upon his judgment to tell him WHEN the turn is due. After a severe drop in prices he watches the conditions closely and when the cause of the decline is removed he buys stock, knowing that prices are sure to go up; he figures that other traders will take the same view, and their united efforts will create a demand. That is just like the grocer buying a season's supply of potatoes because he knows that later on the demand will increase and the supply diminish.

Then an advance comes, and after that particular stock has climbed 10 or 15 points higher, our friend, the successful trader, sells out his holdings, because in his opinion it is beginning to lose its popularity. People are not so anxious to buy it now as they were at first, and when a demand does spring up it appears to be quickly satisfied; in other words, some one is selling big quantities of it, and they are trying to do it quietly and under cover. They are "unloading," and that is a dangerous sign for the small trader who is "long" of the market. So, like the skating rink man who preceived signs of Spring and knew that the time to sell had come, our friend unloads his stock along with the "big fellows," and perhaps goes "short" of the market at the same time.

Stock trading is really the simplest thing in the world and the easiest business to manage successfully, if you only would remember that it IS a business, and not merely a recreative pastime, or a gambling affair.

EVERY BEGINNER MEETS WITH SUCCESS.

The most positive and convincing proof of the truth of our statement that ANYONE can trade successfully year in and year out is found in the fact that nearly every customer who opens an account with us makes money at first. The great majority of new beginners are notoriously successful in their first ventures, and for two reasons.

In the first place, they have as a rule given some thought and study to the matter. They have considered

several stocks which they feel somewhat familiar with for various reasons, and having decided upon some one of them they look up its past record; see what it has been doing for the last month or so; what dividend it pays, if any; how it compares in price with some other stock of similar nature; in fact, they post themselves thoroughly, and then open their account and place their order. If the market moves favorably to their interests they wait patiently for still better things, and when a reaction comes they close out quickly, securing the profits while yet in sight. And in cases where first trades go against them they become easily scared, and close out with a small loss.

Thus the beginner, for a time, is successful because he takes small losses and waits for big profits. But watch the change. After a few weeks he becomes accustomed to the details of the business. He has had a taste of success and it was highly pleasing. But the stocks he first worked in are now beginning to lose favor in his eyes; they are too slow, altogether. He hit it right in them, and so he can hit it just as good in some more active stock, and get bigger action for his time and money. But now he is guessing—simply guessing. As long as his guesses prove right he will play with confidence, but when his "luck" turns—for he is playing LUCK now, not JUDGMENT—he will soon lose confidence in himself. He no longer studies actual market conditions. He does not bother to see what a stock has done in the past, nor trouble himself for a reason as to why it should afford any particular movement in the future. He simply says to himself, "This stock is going up," or "That stock is going down," and buys or sells accordingly.

That kind of work will never win in Wall Street.

In other words, if you want a gamble try faro, or poker, or some other device of that nature—anything but Wall Street, for the GAMBLER in Wall Street has to face that terrible "Unknown Percentage," and it is impossible to beat it by betting rules or gambling systems of any nature.

Where the First Mistake is Made.

And the reason lies in the simple fact that the "gambler" actually plays against himself without knowing it. For instance, consider our "new beginner" after six months experience in the Street. First, as we have seen, he was careful and cautious; never bought or sold anything unless he had a reason for doing so. If it started against him he readily perceived he was on the wrong side, admitted the fact to himself, and got out. When his investment went his way he sat quietly and waited, eventually closing out with a big profit. He was wise in Wall Street ways, for he played for big profits and small losses

In the next stage of his career we find him more bold, in fact, with an inclination to recklessness, and he is guessing the market—gambling—with a moderate degree of success. His guesses simply HAPPEN to be right.

And next we find him broke. Natural enough, too, when we look into the causes. In his guessing contests with Fate he finally made a mistake and found himself on the wrong side of the market. But he has by this time grown hardened to the dangers of speculation and concludes to "buck the market," and puts up more margin and still more margin, and finally his last dollar is up as protection on this one little trade which appeared so harmless when it first started to move against him. Eventually he closes it out, only to find that he sold right on the bottom—in other words, at exactly the wrong time. And then, without waiting to collect his thoughts or form an adequate opinion, he hastily jumps in again and makes an attempt to regain his loss, and this trade, too, goes against him. That it should do so is really the result of the law of averages. If you ever matched dimes you must have observed that when you won five or six times in succession you lost almost as many times following, because you stood 50 chances in a hundred to win and 50 to lose. In the end you would have as

many dimes as you started out with, that is, you would if you continued long enough. But not so with our guessing friend.

He grows cynical as his misfortunes increase. He eventually comes to believe that "luck is against him" and when a small profit appears in a trade he hurries to clinch it before it has a chance to get away, and when a loss appears he lacks the nerve to accept it gracefully, and so holds on, hoping it will yet turn his way and in the end almost invariably drops his courage just at the wrong moment and sells out right on the bottom or buys in just at the top, as the case may be, suffering a heavy loss.

His operations have reversed. In his early dealings he played for big profits and small losses. Now we find him taking small profits and big losses. And all because he is aimlessly trying to guess the market.

The moral of all this is very plain.

The gambler in Wall Street fails.

The man who makes a BUSINESS of speculating succeeds.

And in the following remarks on the subject we shall endeavor to point out clearly what lines and methods should be followed by the successful trader, who makes a business of speculating. And we would particularly impress upon your mind the fact that in order to make money in the stock market it is NOT necessary to devote all your time and attention to your operations. Some of the best managed accounts on our books are those of men actively engaged in other branches of business, and if you will follow our suggestions closely, you, too, can conduct a speculative investment safely and secure returns that will far exceed the earnings of capital invested in any other way.

How To Open An Account

The details for opening an account for the purpose of speculating in stocks on margin are very simple. Having decided that you wish to begin with an investment of, say $500, you would write us as follows:

MESSRS. C. W. MORGAN & CO.,
New York City.

Gentlemen:—

Herewith please find check for five hundred dollars ($500) which sum you will place to my credit for the purpose of margin on speculative transactions which I may from time to time direct you to make. Kindly forward receipt

Very truly yours,

(Signature)..........

(Address)..........

Upon receipt of your letter, as per the above, an account is opened on our books in your name and you are credited up with the amount of your remittance, acknowledgment of receipt of funds being forwarded to you on return mail.

If your remittance was in form of currency, express order, bank draft or certified check, your account is now in shape to trade on, and any order you see fit to place will be promptly executed. In cases where remittance is by personal check, it is, of course, necessary to refrain from operating in the account until we have had sufficient time to place check for collection.

Whenever a trade is made for your account a notice is mailed to your address at the close of business that day stating the quantity bought or sold, and the price paid or received. Upon special request such information will be wired immediately upon execution of order, and if telegrams are to be sent to any special address such fact should be plainly stated in your letter. Telegrams are always sent at your expense.

We frequently receive letters from intending investors inquiring if bonds, stocks or other reliable securities, which they may happen to hold will be accepted as margin.

If the paper in question is owned by them outright, and has an actual value on the market, it is quite as serviceable for margin as cash. In such case we do not give you credit on our books for any specific amount of money, but simply enter up the stock or bonds, and, of course, in such case the amount of your margin with us is constantly changing in exact proportion with the fluctuations in price of the security in question on the Exchange.

For instance, Jan. 1st you might deposit with us 100 shares of B. & O. common stock, which at that time was selling in the market at, say 50. Hence your balance with us would amount practically to $5,000. You could, therefore, operate in 500 share lots and consider that you had 10 points protection on such trades. Should the price of B. & O. common decline to 40 by the end of the month you would then have a balance to your credit as margin equivalent only to $4,000, and operating on a 10 point margin could at that time swing only 400 share lots.

Some traders, desiring to overcome this possibility of diminishing margins when using stock certificates as protection, "sell short" the same quantity of stock which they own outright, which assures them of a continual balance equal to ruling price of the shares at the time account is opened. Thus, in a declining market, what they lose on shares owned outright is exactly made up in profits on their "short" stock.

How to Give Your Orders

The manner in which you give your orders has a great deal to do with the successful management of your account. In the first place, remember that your broker, if he is a good broker, is a very busy man. He takes an interest in your account and in your welfare, but at the same time he has no spare moments to devote to the perusal of a long, rambling letter, and when such communications come to hand during the rush hours of the day it is simply impossible to give them careful attention.

Remember that hundreds of other letters come on the same mail with yours; one man has to open them all, and send each one to its right department. To do this in the short time at hand it is necessary to move and think quickly, and the question uppermost in the mind of the correspondence man as he picks up each letter and opens it is: "What does this man want?"

Naturally, it facilitates matters greatly if his mental query is answered briefly and tersely; therefore, always write short letters and make them to the point, particularly when they contain orders. If you desire to ask for information about some stock or outside matter, write a special letter for that purpose alone, but in letters containing orders touch only upon the subject in hand. This rule will insure your wishes being thoroughly comprehended and after the day's business is cleaned up, there will be no misunderstanding or errors in your account due to confusion of orders.

Here is a sample order. You have concluded that Chicago, Burlington & Quincy stock is a good purchase, so you address us as follows:

C. W. MORGAN & CO.,
New York City.

Gentlemen:

Buy for my account 50 shares of C. B. & Q. at 120½.

Yours very truly,

(Signature)..............................

GOOD UNTIL CANCELLED.

The above is the simplest form of order it is possible to give. The price on "Burlington" at the time we receive your letter may not be as low as 120½, but your order is placed on file and will be executed whenever the price of that stock declines to the point you have named. This is because you have written plainly on your order, as indicated above, the words "good until cancelled." Had you failed to make this point plain your order would have been destroyed at the close of business on the day it was received, and should the price of Burlington reach 120½ on the following day we would not buy any for your account because the order, not having on it the words "good until cancelled," would then be "dead."

"OPEN ORDERS," GOOD FOR MORE THAN A DAY, AND HOW TO MARK THEM

Therefore, if you wish your orders to be held open for execution indefinitely, mark them 'Good Until Cancelled." Otherwise, they will be considered as effective only on the day upon which they are received at our office.

Perhaps you desire to buy Chicago, Rock Island & Pacific. You note that it closed at, say 114 but fear a wild and higher opening in the morning, and are not willing to pay over 115 for it. You would word your order as follows:

C. W. MORGAN & CO.,
New York City.

Gentlemen:

On the opening Wednesday morning buy for my account 30 shares of Rock Island at 115 or lower.

(Signature)..............................

You frequently hear bits of news which cause an immediate desire to secure a few shares of some particular stock with as little delay as possible, believing, quite likely, that an important move is imminent. In such cases you would telegraph your brokers as follows:

C. W. MORGAN & CO.,

New York City.

"Purchase—my—account—one—hundred—Sugar—at—market—Wire—report."

(Signature)..............................

If you have previously purchased stock, and being still "long" of it, desire to dispose of your holdings, you would word your order as follows:

C. W. MORGAN & CO.,
New York City.

GENTLEMEN :—

Sell for my account, to close, 100 shares of American Tobacco at 126. Should price advance to 128 also sell "short" 100 shares at that figure. This entire order good until cancelled.

(Signature)..............................

The second clause in the above order refers to "short selling," and if you do not fully understand this process of trading you will find it explained in the following pages.

Many traders desire to work always with stop-loss orders, and this form of order is generally much more

complicated than others, and in making use of it you should use particular care to state plainly just what you mean.

AS TO THE USE OF "STOP LOSS" ORDERS.

For instance; Residing in some distant city it is quite possible that you may not have access to a "ticker" and therefore cannot keep posted as to what the market is doing during the day, depending for your information solely upon the columns of the evening paper. You desire to buy Tennessee Coal and Iron, but knowing its tendency towards eccentric fluctuations, wish to protect yourself against serious loss, so you make use of a "stop order" in the following manner:

C. W. Morgan & Co.,
New York City.

Gentlemen:—

Upon receipt of this letter buy for my account 60 shares of T. C. & I. at 78 or lower, and place stop loss order under same two points below purchase price.

(Signature)..

We will say that Tennessee Coal and Iron on that particular morning opened at 78¾ and was quoted at 77⅝ at 11.15 A. M.—at which hour we will presume your letter was received at our office. Your instructions are to purchase at 78 or lower, and therefore we place your order in the hands of our brokers on the Exchange floor for immediate execution. As noted above, at the time your order was received T. C. & I. was quoted at 77⅝, but the price has been steadily declining since the opening, and before the order reaches the Exchange the price has dropped another ¼, to 77⅜, and at that figure we purchase 60 shares for your account, and then, in pursuance with your further directions, we place an order with our operators on the Floor to SELL 60 shares of T. C. & I., for your account at 75⅜, should the price decline to that figure.

This insures you against taking more than a two point loss, while, if the price now advances, there is no limit to the amount of profit you may secure. However, for the sake of illustrating the value of stop-loss orders, let us suppose that a heavy break occurred in T. C. & I. later in the day, and, for the sake of comparison, we will say that you have to your credit in our hands the sum of $600. Thus, on your purchase of 60 shares you have 10 points protection, which is generally considered a safe margin.

To resume, after buying the 60 shares at 77⅜ the market, we will say, advances to 79¼, at which point you have a profit—a "paper" profit—in your trade of $112.50. This is called a "paper" profit because, figured upon paper, that amount of gain is indicated. If you were to sell at that point (79¼) and thereby close out deal, you would have an actual gross profit of $112.50. Such selling, in the terms of the Street, is called "profit taking," or converting paper profits into cash.

However, after the price reaches 79¼ it suddenly turns very weak, and soon is breaking rapidly. In a few minutes it has declined again to 77⅜, the point at which your purchase was made—but you, of course, not being present at the center of action, know nothing of what is transpiring. The break is now assuming the proportions of a raid, and, had you not placed a stop-loss order under your purchase you would stand a good chance to lose all your money. For two or three hours T. C. & I. continues to drop off, and finally reaches 65⅜, the low point on the day, and then quickly recovers to 72⅞. At the low point reached, 65⅜, the price had broken exactly 12 points under your purchase price, and, if you had not wisely placed a stop order at a loss of two points we would have been forced to sell out your holdings when the price declined to 67⅜, as your margin would naturally exhaust at that figure, that extent of decline representing a loss of $10 per share to you. In fact, to be exact, we should probably have sold your stock when the decline carried the price to the neighborhood of 68, or 67¾, as in order to protect ourselves it would be necessary, in such a wild

market as we have just pictured, to offer the stock for sale slightly in advance of the recording of the quotation at which your margin actually exhausted.

However, your act in placing the stop order forestalled the possibility of any such dire results as we have just been considering. When the decline carried the price to 75⅜ we naturally sold out your holdings, as your stop-loss order placed two points under your purchase price instructed us to do. And, as a result, instead of losing $600, you have lost but $120, in addition to commissions and revenue stamps, which two items in this instance would amount to a total of $8.70.

It would have proved much better in this particular instance had you worded your order as follows:

C. W. Morgan & Co.,
New York City.

Gentlemen:—

Upon receipt of this letter buy for my account 60 shares of T. C & I. at 78 or lower, close out at 1½ point profit, and place stop loss order two points under purchase price.

(Signature)..............................

Here we would naturally have purchased as noted above, at 77⅜, and when the following rally carried price to 78⅞, which figure represents an advance of 1½ points over your purchase price, we would, of course, have sold out your holdings, thereby converting your paper profits into actual cash to the amount of $90. And deducting from this figure our commissions and revenue stamps, amounting to $8 70, your account would be credited up with a net profit of $81.30.

And that night you would receive by mail a memorandum of trades as follows:

Mr.............................. Date ....

We have this day bought for your account and risk

60 —— —— T. C. I. —— —— 77⅜

Sold.

60 —— —— T. C I. —— —— 78⅞

Respectfully yours,
C. W. Morgan & Co.

From the foregoing remarks you will observe that while it is really a very simple matter to draw your conclusions as to WHAT you wish to do in the market, the actual expression of your wishes by correspondence is not so easy as it would appear at first glance, and it will frequently save you great loss to pay strict attention to all the little minor details in making out your order. And right here we would call your attention to the fact that neither of the last two order forms quoted were marked "good until cancelled," and therefore, had the price on that particular day remained above 78, thus making it impossible to purchase as per instructions, your order would have been considered void after close of market at 3 P. M.

It is a common occurrence to receive orders such as follows:

C. W. Morgan & Co.,
New York City.

Gentlemen:—

If the market opens strong please buy 60 shares as low as you possibly can, and sell at 76. That is, put in a stop loss order about two points under price if you can get it around 78. I don't want to pay over 78 and would prefer to get in at about 77. Sell at 80, if it goes there. If not, sell at 79. Don't sell at 76 after you sell at 79 or 80, as the case may be, I want to buy T. C. & I.

(Signature)..............................

You may think the above an exaggerated instance of complex order, but we assure you such is not the case. It is a good sample of many orders which daily come under our attention and draw upon our time and patience for an intelligent solution. After a moment's study it is plain to discern what this man wants, but, where such confusion exists in PLACING the order with us, there is quite likely to be some confusion in EXECUTING it, and errors under such circumstances are certainly excusable on our part, although the customer placing such an order would view the matter in an entirely different light.

Therefore, as we said in the beginning of this chapter, MAKE YOUR ORDERS PLAIN and to the point.

If you wish to purchase stock, say "buy for my account," or "buy for long account."

If you are short of the market and wish to get out, say "buy to close" or "buy to cover my shorts."

If you think a decline is coming and wish to make money on the drop in prices, say "sell short."

If you have previously bought and wish to dispose of your holdings, say "sell to close."

If you wish to buy stock, place a stop-loss order, and also name point at which to take profits, say "buy for long account 50 shares of.................................at 66 or lower, place stop-loss order two points under purchase price, and sell to close at 69. Good for this date only."

If you wish to go short of the market, place a stop-loss order, and also name point at which to take profits, say "sell short for my account 50 shares of...................... at 35 or higher, place stop-loss order 1½ points over sale price, and buy to close at three point decline. Good until cancelled."

In all cases say exactly what you mean. Leave nothing for us to guess at.

SHORT SELLING AND WHAT IT MEANS

If you understand and take advantage of the opportunities offered for operations on the "short side" of the market your returns will be just twice as large as would otherwise be the case.

Everyone understands the process of buying a stock when it is cheap and selling it when it is dear; buying it for, say $60 a share and later on selling it for perhaps $80. Any one with ordinary comprehension, whether or not they may be versed in Wall Street matters, can see how they would make a profit of $20 on such a transaction.

But very few beginners understand the advantage of first selling a stock when it is dear and later on buying it when it is cheap, such a transaction resulting in just as much profit to the trader as in the instance above cited.

The first question asked by novices is, "How can you sell a stock when you don't own it outright or have not previously purchased it on margin?"

SELLING A THING BEFORE YOU OWN IT, IS QUITE POSSIBLE

This question as a rule is not easily answered, but we shall endeavor to present the solution in a clear and precise manner.

In the first place, let us get at a clear understanding of the word "short." As a responsible book-keeper

you find yourself "short in your cash account." This is a term commonly used, and means that to even up your account—to make your cash balance—a certain amount of cash, missing at present, must be found somewhere. If you again go over your figures and find no error in them rectifying the shortage, you have got to go down in your own pocket and make the deficiency good.

In the same way, being short of a certain stock means that in order to even up your account in this stock you have got to obtain a certain number of shares from some source. Not owning them yourself, you must buy them from someone who does own them, or from someone else who is willing to sell them short.

Suppose Sugar has had a continuous advance of 20 points, carrying the price up to 162, and at this point you consider it has reached top. If you had bought previously you would naturally sell out at 162 in order to convert your paper profits into cash, and, believing the price will next sell lower, you also sell 100 shares short. As before stated, you do not own any Sugar stock; but you expect to buy 100 shares later on, and at a cheaper price, which purchase will even up your account as far as sugar is concerned, as it will then appear that you have sold 100 shares and bought 100 shares, and therefore you are even in the market.

People often sell things "short" in other lines of business, without knowing it.

A certain man well known to the writer, and whom we will call Jones, was recently in the office of his friend Brown, who is a capitalist. Brown remarked to Jones that he was about to buy a certain piece of property; said it had a frontage of 100 feet on Broadway and was to cost him $2,000 per foot, or $200,000. He expected to close the deal with the agent that afternoon.

"Who owns the property?" Jones asked.

Brown's reply disclosed the fact that the owner was a personal friend of Jones'.

After a moment's thought, Jones suddenly said: "I'll sell you that same piece of ground for $198,000—a saving to you of just $2,000 on the deal."

"Why, you don't own the property; how can you sell it to me?" asked Brown.

"Never mind about that," replied Jones. "If you want the property at those figures, draw up an agreement and I'll sign it right now."

The agreement is soon drawn up and Jones agrees to deliver to Brown on or before a certain date that identical piece of ground title clear, for the sum of $198,000, or $20 per foot less than Brown had expected to pay to the agent for the same property.

Jones is now "short" 100 feet of Broadway property at $1,980 per foot, and evidently expects to buy it at a cheaper price in order to fill his contract at a profit.

Here are the facts. The owner of the ground instructed his agent to sell for $2,000 per foot. The agent would receive 5% commission on the sale, or $10,000. Therefore, the owner would receive only $1,900 per foot net, after paying his agent. Jones goes to the owner direct, who is a personal friend of his, and offers him $1,900 per foot for his property. The owner takes him up, and the transfer is made. Then Jones goes back to Brown and delivers the property to him at the price named in their agreement, $198,000.

As noted above, Jones originally sold 100 feet of ground at $1,980 per foot, and as we have seen, later bought it for $1,900 per foot, clearing up just $8,000 on the deal. Or, to be more exact, he first contracted to sell at a certain price, and later on he delivered the goods. as per his agreement, having in the meantime been able to secure the desired property at a lower figure.

"Short" trading on the Exchange is practically the same thing, except that instead of making a contract to deliver a certain number of shares of stock, the certificates are actually delivered; and, not having the stock yourself with which to make the delivery, you borrow it from some one who has; and when you

finally purchase a like number of shares with a view to closing your trade the certificates thus bought go to the man who loaned you the stock at the time you made the sale. These latter details, of course, do not concern the trader. They are matters which it is the broker's business to attend to, and you, as a speculator, do not come in contact with them.

EVERY BUILDER, SIGNING A CONTRACT, SELLS MATERIAL "SHORT."

Here is another instance of "selling short" which did not result so profitably to the seller as in the above case. A certain company of railroad builders took the contract to construct an iron bridge and necessary trestle work approaches to same. It was necessary, of course, to use a great quantity of heavy timbers and steel and iron frame work. Their bid was submitted just before the recent boom in building material took place, and they were awarded the contract.

Shortly after that an advance in the price of iron and steel was announced, and the contractors, thinking it was merely a temporary rate, refrained from ordering their material and concluded to wait until prices again dropped to former levels. Next an advance in lumber prices was made, particularly in heavy timbers and long lengths, such as they desired in the construction of their trestle and bridge, but still they delayed placing their order for material, hoping a drop in prices would soon occur.

Instead of declining, however, prices again advanced, and they continued to climb higher and higher until finally, when the contractors at last ordered their material, they were forced to pay fully 50% more than the ruling prices at the time the contract was awarded to them.

Thus, it will be seen that they were "short" a large quantity of iron, steel and lumber. Their bid was $350,000, and in compiling same they figured that the

material would cost $200,000 and the labor $80,000, leaving them a net profit on the job of $70,000.

But, when they attempted to "buy in" the material of which they were "short" they were forced to pay $300,000 for it instead of $200,000; and therefore, in place of making $70,000 on the job they were actual losers to the extent of $30,000.

A DEAL ON THE "SHORT" SIDE OF JACK-KNIVES.

Here is another instance, furnished by an office boy, who is at present working in a broker's office on Broadway. He bought a jack knife—an article which he felt he was badly in need of—for 65 cents. After doing so he passed, on his way to the office, a window in which a large assortment of jack knives were displayed and to his sorrow he noticed that an exact duplicate of his knife could be secured at that store for 50 cents.

During the day one of the other boys in the office saw his new knife and admired it greatly.

"How much did it cost?" asked the boy who admired it.

"Sixty-five cents," replied the owner.

"I'll give you sixty for it," was the rejoinder.

"SOLD!" said the owner, and the sixty cents and the knife changed hands.

So far we have only an illustration of an unprofitable deal on the "long" side of the market; the office boy, Fred, bought at 65 and sold at 60, losing the difference, or 5 points.

But mark the result.

The bookkeeper, after examining the knife, concluded that he, too, would like to possess a duplicate of it, and told Fred he would give him 65 cents for one; and Fred accepted the money and agreed to deliver the knife by 9 o'clock on the following morning.

Fred, the office boy, was now short of the knife market: he had sold something which he did not have for "sixty-five," but expected to buy it for "fifty."

As soon as he purchased and delivered a duplicate of what he originally sold he would be "even up" on the market.

Let us see what he actually did.

When he entered the store where he had seen duplicates of his knife displayed in the window and marked "50 cents" he found that it was impossible to buy at that price. True, the clerk said, those knives were for sale on the previous day at 50 cents, but the sale had ended, and the price was now 60 cents.

So this figure was paid by the office boy in order to cover his shorts. which he had "put out" on the day before at "65" Had he bought when the market was down the difference between his selling and purchasing price would have been much greater, increasing his profits to just that extent. But, like many others who have sold short in the past and will sell short in the future, he waited a little too long. He should consider himself lucky that he did not have to pay seventy-five.

Summing up, we find that he first bought at 65 and sold at 60, losing 5 points. Then he sold short at 65 and 'covered" at 60, making 5 points; and on the two deals he came out just even in money. minus in sole leather, and plus in experience. He became so exceedingly wise, in fact, that he did not buy another jack-knife for himself immediately, but decided to wait until the opportunity was again offered to purchase at 50.

WHY OPERATIONS ON THE SHORT SIDE DOUBLE YOUR CHANCES.

The foregoing explanation has doubtless served to show you HOW it is possible to first sell a thing before you have bought it—the question which puzzles so many new beginners. And once you become accustomed to selling short, the business of speculating grows much more interesting and at the same time more profitable. Instead of waiting after selling for profits on a bulge for another decline to carry the price down again to figures at which you

regard the stock as a safe purchase you "sell short" at the same time you sell to take profits on the advance, and go down with the price, thereby making just as much money on your short stock in the slump in values as you made in the previous advance on your long stock.

Then. too, when you understand the process of selling short you are in position to take an active interest in the market at all times, and never find the hours passing slowly. And there are a great many traders who believe the short side of the market is the easiest to trade on, claiming that stocks always break more rapidly than they advance. This. of course. is not an accurate statement. as many instances can be cited to prove that a bull market is quite as violent and moves fully as rapidly as one which favors the bears. Prices in dull spells are more apt to decline than advance, as outside buyers are easily discouraged in the event of protracted inactivity, and the selling which they do naturally gives the market a downward tendency.

No wise trader, however, will presume to say that one should stick constantly to either the bull or the bear side. Use your judgment, rely upon ordinary common sense; and when these faculties tell you the market is going up, buy and go along with it. When, in your opinion. prices are going lower, sell short and come down with them.

Let us say that you have opened a $500 account with us, and we then receive an order from you to buy 50 shares of Sugar "at the market." We immediately wire the order to our brokers on the Exchange floor, and we will suppose, for illustration, that the purchase is made at 126.

That means that at that particular moment Sugar was worth $126 per share. Therefore the sum necessary to pay for 50 shares would be $6300, and as you have on deposit with us only $500 we must borrow the difference between this amount and the total value of the stock, or $5,800. The stock itself, of course, acts as collateral to guarantee the loan. But interest must be paid on the $5,800 borrowed—and right here is a point in favor of operating on the Consolidated Stock Exchange in preference to the Big Board.

WHY IT PAYS TO TRADE ON THE CONSOLIDATED EXCHANGE.

On the latter Exchange interest is paid on "long" stock from the moment it comes into your possession. On the Consolidated Exchange, where our orders are executed, interest is paid only on stock held for long account and carried over from one week to the next. That is to say, Monday is

considered "settling day," and if you are carrying any "long" stock in your account before the opening of the Exchange on Monday morning you must pay interest on it covering the past week. Therefore, if you buy on Monday, and sell out on Saturday you are not charged up with interest; but the man who, on Saturday, took your stock off your hands, and carried it over into the next week, has to pay interest on the money for the period during which it was in your possession. Thus, with a little care on your part, interest charges can be avoided. And under no circumstances is interest ever required on short stock, as when you sell short it is, of course, unnecessary to borrow funds with which to carry the trade. In the case of short selling stock is borrowed, and not funds.

At rare intervals stock certificates are held "at a premium." For instance, some bull clique, we will say, has practically secured a corner on some certain stock. They have for weeks and weeks been picking up every share of this stock offered, and finally have acquired so much of it that there are only a few shares, comparatively speaking, which can be borrowed by operators who sell short and therefore must secure stock from some source with which to make delivery.

Those who have the stock to loan quickly see that they have control of things, and therefore demand a premium from borrowers for the use of their certificates. This premium rate sometimes soars to fantastic figures, and, as a natural result, there is a scramble among the bears to "cover" their short sales, preferring to be out of the market rather than "pay up" for the use of borrowed certificates.

Naturally, this condition of things exists only at rare intervals, and seldom, if ever, in the active, "popular" stocks.

But to return to our Sugar trade. Let us suppose that you failed to put in a stop-loss order, and the market breaks severely. You have bought 50 shares, with $500 margin, which amounts to a protection of ten points, or $10 per share. Hence, as you bought at 126, the price must necessarily drop to 116 before your

margin would be exhausted. For at $116 per share your stock (50 shares) would only be worth $5,800 and that is just the amount which has been loaned, and the only security the lender has is the stock itself.

It makes no difference whether your broker loans the necessary amount to carry your purchases, or borrows it from some one else; it is your broker who SECURES the requisite funds, and he is responsible for them Therefore, when the price reaches 116—the point at which your margins exhaust—we must either sell your stock or look to you for a deposit of additional funds as further protection.

AS TO MARGINS AND KEEPING SAME GOOD.

If you did not instruct us to the contrary we would close the trade when the price approached 116. But, on the other hand, had you told us to call for more margin if it became necessary, we would notify you of the need of same when the price declined to within three or four points of your exhaust point, thus giving you ample time to respond if you wished to do so. Let us say that you deposited $500 additional in our hands in response to our call for further protection, thus margining your 50 shares down to 106. Sugar declines to 114. Had you failed to respond with additional protection we would have been forced to close your trade at 116, but your holdings are now protected down to 106, and therefore, when the price takes a sudden rally and eventually works up to 126 again, all your money is safe, and you could now close out your stock if you wished and have just as much as you started with—that is to say, your $1,000 would still remain to your credit. If you allow trade to remain open in the market, however, and the price continues to advance until it reaches, say 131, you could now close with a profit of 5 points—meaning a gain of $5 per share, which on your 50 shares would amount to $250; and in such event you would have to your credit the two $500 deposits which you originally put up and the $250 profit as well, or $1,250 in all.

Let us suppose, now, that you had NOT instructed us to protect your trade and call for additional margins if needed. When the price reached 116 on the decline we would, of course, have sold out your 50 shares, and all your funds would be gone The price continues to decline, as before, until 114 is reached. At that moment you learn what the market is doing and at once place an additional deposit of $500 with us and order another 50 shares bought for your account. It is secured at 114. Then the advance begins, as noted above, and if you were to sell out when the price again reaches 126, your original purchasing point, you would now have to your credit $1,100; and if you allowed your trade to remain open until 131 was touched and closed out then, you would have $1,350 to the good, and in this way; your first trade, closed out at 116, resulted in a loss of $500. But you waited until the price had declined two points more and then, putting up another $500, bought 50 shares at 114. The advance from 114 to 126, your first purchasing point, gives you a profit of 12 points or $12 per share, amounting to $600 on your 50 shares, and this with your second deposit of $500 would make $1,100. Instead of closing at this figure, however, you wait until 131 is reached and then sell, thus securing an additional profit of 5 points or $5 per share which on your 50 shares would amount to $250. And this sum, plus your balance when the market was at 126, would give you a credit of $1,350, and you would be out of the market and even up in your account.

When you sell short your margin acts in the same manner. Suppose you have $200 on deposit and sell short 20 shares of Burlington at 120. This means that you have agreed to deliver to the other party to your contract 20 shares of Chicago, Burlington & Quincy stock at $120 per share. We, as your brokers, borrow the stock from some one who has it in order to make the delivery. You, having sold it at 120, naturally hope to be able to purchase it at a cheaper price. Suppose this stock, instead of declining, advances 10 points, to 130. You "sold" it for $2,400. At 130 we would have to pay $2,600 for the 20 shares with

which to fill your contract. The difference between these two sums is just $200, or the amount of "margin" which you have in our hands; therefore, unless you deposit additional funds with us, we would be forced, in order to protect ourselves, to buy in the stock at 130.

HOW BROKER LOSES ON UNPROTECTED TRADES.

Suppose we allowed the price to advance to 132 before "covering your shorts." We would then have to pay $2,640 for 20 shares of Burlington with which to fill your contract. When we sold the stock at 120 we received only $2,400 for it. Paying $2,640 for it and selling for $2,400, we lose $240 on the deal. Having but $200 of your funds in our hands and being obliged to pay $240 in order to satisfy the difference between buying and selling price, we would therefore lose out of our own pocket the sum of $40.

From this it will be apparent that, in order to protect ourselves, we would buy in the stock to "cover" your shorts before the advance carried the price up above 130, the figure at which your margins exhausted.

Of course, had we called you for additional protection before the price touched 130 and you had responded your new deposit would protect us from loss and you, and not us, would then be assuming the risk of a further advance in price. Should the market then turn and the price decline to 120 again, all of your margin would be saved and if you closed out at a figure still lower—that is, bought to cover your shorts—at, say 117, you would have a profit of 3 points, or $3 per share, which would amount to $60 on your 20 shares.

EFFECT OF "X—DIVIDEND" ON STOCKS CARRIED ON MARGIN.

In the minds of a great many traders there is a misunderstanding in connection with the effect on their account of a stock in which they are interested when it sells "X—Dividend." The idea is often entertained that it pays to

hold a stock until after the dividend is paid "in order to have the dividend credited up to their account." In a way this is all a mistake. Suppose on Monday you buy 100 shares of Sugar, paying $140 for it. Tuesday it advances to 146. On Wednesday its 3% dividend is payable, amounting, of course, to $3 per share. You decide to wait until Wednesday to sell your stock, so as to receive the dividend.

Tuesday night Sugar closes at, say 145—a decline of 1 point from high price that day. Wednesday morning it will open, as indicated on the ticker tape, "Sugar X—Div. 142." Then you sell your stock, getting 142 for it. As you paid 140 for it and sold it at 142 you naturally make a profit of $200 on your 100 shares, and, adding the dividend of $3 per share or $300, to this first profit, you have a total gain of $500.

Had you sold at the close on Tuesday night you could have disposed of your holdings at 145. And, having a profit of $5 per share in the deal, your total gain would amount to the same sum—$500. So you see it is "six of one and a half-dozen of the other."

Final results are no different when you are short of a stock at the time it sells X—Dividend. Suppose you sell 100 shares of Sugar just before the dividend is due, at 128. That night it closes 2 points lower, at 126; and if you sold then you would have a profit of $200.

Next morning it opens at 123, "with the dividend off," and you then buy to cover your shorts, securing your stock at 123. You originally sold at 128 and have now closed the trade with an apparent profit of 5 points, or $500 gain on your 100 shares; but do not forget that, having "sold" the stock before the dividend was due, YOU HAVE TO PAY IT, and so, deducting the $3 dividend, amounting to $300 on your 100 shares, you have after all only $200 profit in your trade. Therefore, to the margin trader, who is "long" or "short" of stock at the time its dividend is paid, said payment is a mere matter of form, and does not mean a profit or loss under any circumstances.

And it practically amounts to the same thing even if you own the stock outright. Your shares may be

worth, say 150 each on the day previous to payment of dividend; but, if it be at the rate of 3%, you cannot sell your stock on the following morning for more than 147.

WHEN A MARKET IS MANIPULATED.

The market is frequently manipulated. In fact, it is more often manipulated than allowed to shape its movements on the real merits of the case, or conditions. This is because a great many separate and distinct powers and influences are constantly at work under the surface of things, influences that range in power from the smallest single trader up to the largest and most formidable combination of capital and united strength imaginable.

To-day there are in the Street certain operators who, ten years ago, were looked upon with fear, because their great wealth enabled them to do almost what they pleased with the market. They could sell it down or put it up, as they liked. In those days they worked openly and boldly, knowing that a great following of minor interests would trail on behind and imitate their actions and doings on the Floor, thus tending to assist the price movement along the channel desired. Now, when they operate in the market at all, they are forced to do so under cover and in the dark, as it were, for these one-time powerful speculators have been dwarfed by the growth to enormous proportions of so-called "money trusts" and "cliques" of all natures, and are only food for the larger fish whenever they can be caught napping.

For instance, let us gather together in some prominent hotel a big majority of the wealthiest bankers and money lenders of the Street; they hold a secret meeting; a vague rumor of this conclave reaches Wall Street and is repeated over the tape; if the story relates that a "bull clique" is being formed, prices begin to stiffen up immediately, for that news suggests that eventually a great amount of powerful buying will materialize which

will result in putting prices up with a wild dash. If it is hinted that the secret meeting is composed of Bear leaders, then prices weaken perceptibly and the close that night is a trifle lower, anticipating the possibility that the market may, in the near future, undergo the process of a Bear raid.

HOW BULGES AND BREAKS ARE MADE TO ORDER.

Let us suppose the latter rumor to be correct, and this meeting composed of Bear leaders and their followers. They lay their plans well. Perhaps they even go so far as to arrange to "corner" the money market, and bid up the rates on "call loans." There is nothing to prevent such action on their part; all that is necessary to success is to secure united action on the part of the big money lenders, and this it is frequently possible to do.

The real leader of this movement may possibly have learned that some other heavy and powerful interest is quietly acquiring an immense line of stock. Thousands and thousands of shares are being taken up by this Bull clique, and if their plan can be blocked, and they forced to throw their holdings onto the market, an enormous fortune can be made in a few days' time.

So this cunning Bear leader, when all is ready for action orders his brokers to begin selling stocks short. Operations are not confined to any one particular security, but to the entire list; everything in the list, from the rottenest Industral to the strongest Railroader, is sold short, but it is all done as secretly as possible, and through as many different brokers as can be trusted to keep silence, and finally a tremendous "short interest" has been acquired by this Bear clique, and then their operations are allowed to come more to the front; a quiet, and apparently unguarded, word is said here and repeated there, and soon the news gets into the papers and appears on the tape, and then the whole Street takes up the story and selling from every quarter appears, and the price soon begins to waver and finally gives way and a big slump follows.

But the other clique—the Bull clique—has not yet surrendered. They continue to buy, apparently with great confidence, every thing as fast as it is offered. And finally the "break" in prices comes to an end, to all appearances, and the outside public also begins to take a hand on the "long" side, when suddenly it is impossible to procure funds with which to "carry" long stock; that is, as we have explained in the foregoing pages, when brokers attempt to borrow the money needed in excess of the amount on hand to the customer's credit with which to pay for new stock bought for "long" account they find it can no longer be obtained at ordinary rates. It is now necessary to pay as high as 20, 40, 75 and even 100 per cent. for such loans, and, as their customers are not willing to pay such exorbitant rates, they are ordered to again sell the stock, and thus the "money trust," by its cunning trick of cornering the loan market, is able to place a ban on stock purchasing until it feels that it is to its personal interest to have a general wave of buying set in.

WHY "DEAR MONEY" FORCES UNLOADING.

As a result, the public in general, unwilling to pay such high rates for "money on call," order their holdings dumped on the market, and down go prices again, still lower. This doubtless proves an unexpected move to the Bull clique, and they at last are forced to "liquidate"—sell out the great blocks of stocks gradually acquired for weeks and weeks past, their margins of millions having ebbed to the exhaust point. And as the Bull clique sells, the Bear clique, which you will remember sold the market short, buys to cover its shorts, and very probably also takes on considerable stock for "long" account. When the Bear clique—the "money trust"—has completed its buying, the rates on call loans are allowed to drop to normal figures, and new buying by the public and from all quarters sets in, and up goes the market again.

All these little "tricks of the trade" you must bear in mind if you would be successful: and, to bear them constantly in mind means only, don't forget them. Many traders, understanding well all the inside workings of the Street, would get caught on just such a slump and rally as above described: not because they were ignorant of such manipulations, but just because they didn't think.

Don't allow yourself to become like one of these men. Keep your wits about you, and see to it that you DO think. Just as we told you in a previous chapter, MAKE A BUSINESS OF SPECULATION. If conditions all around the market are improving, and prices are declining, you have proof before you that professional manipulation is going on. The same is true if prices are advancing when earnings of the companies represented by the stocks in question are falling off.

THE IMPORTANCE OF "DISCOUNTING" NEWS

Learn to compare things, measure influences. And, above all things, remember that Wall Street is quick to appreciate prospective changes in conditions. If good news is expected, the stock or stocks affected gradually and steadily advance; that is the process of "discounting the news." When the actual change is announced, even if it be quite as favorable as anticipated, down goes the price of the stocks concerned. Why? Because, the change now being not only assured but generally known as well, there is no incentive left on which to buy Therefore, sell, and take your profits.

To the uninitiated this may sound like a strange reasoning, but it is Wall Street law, and it will pay you well to remember it. And, in the same way, when bad developments are expected, the stocks mostly affected gradually decline in price. But, when the anticipation becomes an actual reality, the price usually advances immediately, because the effect was "discounted"—the leading traders sold early, when

the first hint of trouble was given out, and now, when the worst is known, they buy to cover their shorts and also go "long" of the market. In other words, that good old rule just fits to a "T" — BUY WHEN THINGS LOOK DARKEST, SELL WHEN ALL LOOKS BRIGHT.

Trading in Wheat and Corn

Trading in grain differs but little from stock operations. In dealing in wheat and corn on the New York Consolidated Exchange transactions are executed in accordance with ruling prices on the Chicago Board of Trade.

Let us first consider wheat.

The different speculative periods are divided up into "options" or "futures." Some one of these options is always more popular than the others, and for that reason the bulk of the trading is usually confined to that future, called the "popular option."

For instance, you can speculate in May wheat, July wheat, September wheat and December wheat. Those are the four "popular options." If you buy 5,000 bushels of May wheat and do not sell it before the first day of May, it will probably be delivered to you on the first day of that month or before the last day; the seller has the option of delivering at any time during the month, at his convenience; and in case the wheat is delivered to your broker he is simply tendered the warehouse receipts, and must immediately pay for the grain and assume the storage and insurance charges on it.

Therefore, if you are simply speculating in wheat and are not ready to actually use the grain you would cease to deal in the May option about the 25th of April. If you were long 5 000 bushels on that date your broker would request that you "change over" to the July option, and in order to do so you would simply

have to sell 5,000 bushels of May wheat and buy 5,000 bushels of July wheat, and you would then be "long" of the July option instead of the May.

NO INTEREST CHARGES TO PAY ON GRAIN.

You do not have to pay interest charges on "long" wheat, no matter how long you carry it; but when you "change over" you generally have to pay more for the coming option than you receive when you sell your holdings in the option you are about to get out of. That is to say, if December wheat at the close of November is selling for, say 72 cents per bushel, May wheat at the same time would probably be in the neighborhood of 76 cents, as the "spread" between these two options is usually about 4 cents per bushel. This spread of 4 cents is practically equivalent to the cost of elevator storage and insurance for the intervening period between December 1st and May 1st, which, of course, is considered "delivery day" for the May option.

The spread between the remaining options of the year is usually not so wide, being more often in the neighborhood of 2 cents per bushel. Thus, if July wheat on the 25th day of June is selling at 72 cents, September wheat at the same time would probably be quoted at 73½ to 74 cents These "spreads" are continually contracting and expanding, according as one option is "bulled" or "raided" more than the other.

On the other hand, if you are short when the time arrives to "change over" you will, of course, be able to sell at a higher figure in the new option than you pay in the old or closing option. For instance, suppose you sell short in October 5000 bushels of December wheat at 78. As noted above, December wheat at the close of November is selling for 72 cents per bushel. In order to change over you now buy 5 000 bushels of December wheat at 72, which means a profit to you of 6 points on your deal, and then you immediately sell short

again 5,000 bushels of May wheat at 76—4 points above the figure at which you have just purchased.

Trading in corn is precisely the same, except that the spread between options is not so great. The same "popular options" are traded in as in wheat.

One thousand bushels is the minimum quantity traded in.

HOW GRAIN MARGINS ARE FIGURED.

In figuring commissions and margin the normal price of both wheat and corn is considered to be $1 per bushel. Thus, in order to protect a trade with 10% margin you would, of course, deposit with your broker 10 cents per bushel, or $100 on 1,000 bushels. If you purchased 10,000 bushels at, say 65, and wished to protect your trade down to 55, you would have to deposit $1,000 margin with your broker.

A fluctuation of 1 cent per bushel in grain is equal to a fluctuation of $1 per share in stocks. And 1,000 bushels of grain is equal to 10 shares of stock--that is, the same amount of margin will protect them an equal number of their respective points.

In placing an order with your broker to buy or sell wheat or corn it is not necessary to say—"Buy for my account five thousand bushels;" instead simply say—"5 May wheat," or "10 July wheat," or "1 December wheat," or "3 July corn,"—as the case may be.

CONCERNING "PUTS AND CALLS."

Puts and Calls are "privileges" in the true sense of the word. The ordinary "put" and "call" costs $1.00 and is good for the next day only. They practically amount to insurance against excessive loss.

We will say you have bought 3,000 bushels of May wheat at 66, and at the close Monday night the last price is ½ cent in your favor, or 66½. You are undecided as to what the market will do next day, so you

inquire "what puts are selling at" and learn that they are "⅜ cents away from the market." That means that the price of puts for Tuesday after the close of the market on Monday (on the curb) is 66⅛—or ⅜ under the "market price" of wheat at the close that day.

So you buy three puts at 66⅛, good for Tuesday only, and pay the man who sells them to you $3. To keep him from getting lost in the crowd, let us say this broker's name is Jones. The next day the market opens very weak and sells down to 62, closing at that figure.

Having bought your 3,000 bushels at 66 you naturally would be a loser to the extent of 4 cents per bushel with the market at this price, or $120; but your puts save you. You simply have your broker hunt up "Jones" and "put him the wheat" at 66⅛; that is, Jones, because of his having sold you those three puts on the evening previous, is forced by that contract to buy 3,000 bushels of May wheat of you and must pay you 66⅛ cents for it (that figure being the put price) regardless of the fact that May wheat closed at 62 cents and can still be had in any quantity (on the curb) at that price. Thus, having bought 3,000 bushels of May wheat on Monday at 66 and "put" 3,000 bushels the following day at 66⅛, you are out of the market and even up in your account.

A "call" operates in the same way, only you would use it as insurance against loss on a short trade. In dull markets puts and calls are generally each about ⅜ cents away from the actual price of wheat, the put price being under and the call price over. Therefore, in dull markets the spread between puts and calls is usually about ¾ cent.

In wild markets puts and calls are anywhere from 1 cent each to 5 cents each away from the actual wheat price, the spread between puts and calls in such case being from 2 to 10 cents.

Puts and calls are sometimes used in another manner. You can, if you wish, buy, say 5 calls at 66⅞ and 5 puts at 66⅛. Your investment will cost you $10. If the market closes above your call price you can "call" or buy 5,000 bushels of wheat at that price and of

course sell it at the ruling price (on the curb) for wheat at that moment. Or, if the market closes below your put price, 66⅛, you can "put" or sell 5,000 bushels of wheat to the man that sold you the puts, and he must pay you for the wheat what you paid him for the puts, or 66⅛ cents. Then, of course, you can turn around and cover your shorts by buying (on the curb) 5,000 bushels of wheat at whatever the price happens to be at that moment. For, by your act of "putting the wheat" you placed yourself short in the market. And you can, of course, remain short over night and cover the following day, or buy in "on the curb" that same evening.

Trading "on the curb" means executing transactions after the regular Exchange room is closed. In Chicago particularly, a large business is daily conducted on the curb, and the price is frequently materially lowered or raised by these operations, such transactions at times assuming very respectable proportions.

It is much better when trading in grain, however, to pay no attention to puts and calls. They only serve, as a rule, to hinder your operations which might otherwise prove profitable, as you are apt to waste a good portion of your time waiting to see whether your privileges "are going to be good."

Our candid advice is to leave them alone entirely: confine your attention to straight, legitimate speculation.

Wall Street Terms — And What They Signify.

A BULL is one who has a conviction that prices are going higher. If you feel "bullish" on a stock, therefore, you naturally expect a rise.

A BEAR is one who believes prices are going lower. A bear looks at signs and conditions through cynical eyes, and sees only promises of depression in values. A man may be a "bull" one day and a "bear" the next, according to how his views may change.

SHORT OF THE MARKET is an expression which signifies that you, having felt bearishly inclined, sold stocks short in expectation of a drop.

LONG OF THE MARKET means that you are carrying stock bought for long account, in expectation of improvement in values.

A SCALPER is one who endeavors to take advantage of small, fractional fluctuations. When he finds a trade from 3/8 to 1 point in his favor he takes his profit—a small favor thankfully received. He seldom bothers his head as to whether it is a bull or a bear market, depending upon the nervous vibrations of the market to furnish him his eagerly watched for opportunities to cut out fractional gains.

ROOM TRADERS, or "floor traders," signifies that body or class of traders who, having memberships on the Exchange, watch closely for signs of influential operations by well-known heavy interests, or cliques, and then attempt to imitate their acknowledged leaders. Many of these room traders have heavy

financial backing, and their united operations are quite an influential factor at times in the trend of prices.

A CLIQUE is usually regarded as a body of heavy operators, bound together by mutual consent, who operate in accord with the dictates of the recognized leader of the group, and to the mutual benefit of all concerned.

MANIPULATORS are men, financially powerful, who instigate false buying or selling with a view to creating artificial strength or weakness in the market, as the case may be, with the object of serving their own personal interests at the expense of other traders whom they have deceived by their sham efforts at legitimate transactions.

RAIDING THE MARKET expresses the concerted action of sellers of all descriptions, who, discovering with one accord some cause for loss of confidence in the maintenance of prices, sell right and left every stock for which they can find a buyer. The expression "pounding the market" also means the same thing, but is generally used in cases where results are less serious.

A BLOCK of stock means a sale involving several hundred shares. It is often remarked that "——— stock was thrown onto the market in big blocks," meaning that individual sales were made ranging from 500 to 2.000 shares in each transaction.

A BULGE in prices means an impulsive advance.

A BREAK means that prices dropped extensively and with considerable rapidity.

A SLUMP indicates a somewhat more quiet decline in values.

A HEAVY MARKET is one in which prices barely hold their own, and gradually sag off a little as the day wears on, closing lower than the opening. A "dull" market indicates few transactions with uninteresting fluctuations, and a "narrow" market means the same thing.

A BROAD MARKET suggests that condition where practically every stock receives a generous share of attention, and where prices seem to evince an upward tendency.

"TAKING A FLYER in the market" suggests the purchasing of some stock by an operator who trades only occasionally, and the expression is indicative of "plunging" rather than conservative speculation.

PREFERRED STOCK are shares of a company having preference over the ordinary issue of stock as regards distribution of earnings. The preferred stock receives its dividends first, and the remaining surplus earnings, if any, are distributed among the ordinary shares.

COMMON STOCK are shares of a company which receive what is left of the net earnings after the dividend on the preferred shares has been paid. Common stock, as a rule, sells at a lower price, but is more active than the preferred shares, and is consequently more popular among traders from a speculative standpoint.

AN OVER-SOLD MARKET is one in which the general rank and file of traders, both public and professional, have sold short to an extent more than warranted by existing conditions, thereby playing into the hands of the manipulators, who stand ready to "squeeze the shorts" when, in their opinion, the proper moment arrives. A market which is "overbought" means the reverse of the above situation.

A SPLIT QUOTATION applies mostly to grain transactions. If you order the purchase of, say 2,000 bushels May wheat "at the market" and your broker secures 1,000 bushels at 68⅜ and 1,000 bushels at 68½, you would say that you had bought "two May wheat at 68⅜ split."

A TICKER is an instrument or machine of complicated arrangement, operated by electricity, which constantly denotes the changing quotations as they occur from moment to moment, and are a common fixture of every well-equipped broker's office.

THE TAPE, as the name implies, is a tape or ribbon of paper which enters the Ticker blank and reappears with the names of stocks and their fluctuating prices printed upon it.

LIQUIDATION means selling by traders who are long of stocks with a view simply to closing out their trades and evening up.

ACCUMULATION means, as the word implies, the steadily and generally extensive accumulation of stocks, the term "accumulating point" suggesting that figure where, after a severe break public and professionals alike regard mutually as a safe purchasing point.

COVERING denotes buying of stock for the purpose of "covering shorts," or to close up "short" trades and make your account even on the market. The act of selling short is often referred to as "putting out shorts," and therefore, quite naturally, when you buy to cover same, you are said to be "taking them in."

CURB TRADING indicates transactions made between brokers outside of regular hours. There is, however, a definite Curb Market in New York, where numerous stocks are constantly traded in, and whose prices are regularly noted in the financial papers.

A CORNER may be run in grains or in individual stocks by some one man, clique or united interest, obtaining an option or outright possession of the commodity or stock in question. At times certain powerful interests, combining their forces, actually obtain a corner on the money market, when serious results usually follow.

COMMISSIONS is the remuneration which the broker receives from a customer for his offices in executing orders for the purchase and sale of stocks and grain. This payment is based on the QUANTITY of stock or grain bought and sold, and NOT on the prices at which transaction was executed.

THE GRANGERS are that class of railroad stocks which derive most of their revenue from grain hauling, such as St. Paul, Burlington, Atchison, North-west, Rock Island, &c.

The COALERS are that class of railroad stocks which derive most benefit from their coal tonnage, such as Reading, Jersey Central, Delaware & Hudson, Lackawanna, Norfolk & Western, &c.

The INDUSTRIALS are that class of stocks, which represent the principal industries of the country, such as Sugar, Tobacco, Lead, Cordage, Leather, Cotton Oil, &c., &c.

The STEEL SHARES really belong to the Industrial group, and yet they are at times distinctly in a class of their own. They comprise such securities as Am. Steel & Wire, Federal Steel, National Steel, Republic Iron & Steel, Tennessee Coal and Iron, &c., &c.

The TRUNK LINES are that class of railways which make a special feature of their passenger service and its general efficiency, referring to such roads as N. Y. Central, Pennsylvania, Lake Shore, Michigan Central, &c., &c.

INTERNATIONALLY LISTED stocks are those securities which are also "listed" on the London Exchange and are, therefore, favorites with foreign speculative interests. They are commonly referred to as "the Internationals."

The GOULD STOCKS are that class of railroads controlled by the Goulds and their immediate following, such as Missouri Pacific, Texas Pacific, and Western Union Telegraph Company.

The VANDERBILTS are, as a class, the Trunk Lines; particularly the N. Y. Central, Lake Shore and Michigan Central.

The LOCAL TRACTIONS are the transportation lines of Greater New York, such as Metropolitan, Manhattan, Third Avenue, and Brooklyn Rapid Transit.

WHAT "GUNNING" MEANS: When some moderately heavy operator has indiscreetly allowed it to become known that he has acquired a large line of long stock, or has "put out" a great quantity of short stock, "the crowd" goes gunning after him; that is, they operate with one accord, although without any verbal understanding, to bring about the discomfiture and, if possible, ruin of the little, lone operator in question. They generally succeed, for their united power is so great that his personal wealth and financial backing is a mere bagatelle. If he has bought stocks they sell, and sell, and sell—until they force him to sell, or liquidate his holdings because of exhausted margins. And if he first took the short side they buy and bid the

price up on him, so that he is forced, because of lack of further protection on his trades, to buy or "take in" his shorts.

NET GAIN means the actual amount of your profit after paying broker's commission and war tax, or revenue stamp—which latter amounts to 2 cents per share, the "round turn."

GROSS LOSS means the entire amount of loss suffered after adding broker's commission and war tax to the unfavorable difference between buying and selling price.

THE "ROUND TURN" means a complete deal, after having both bought and sold, or sold and bought, as the case may be. For instance, in stating a broker's commission you would say he required $\frac{1}{16}$ for buying and the same for selling, or $\frac{1}{8}$ for "the round turn."

OPTION, technically speaking, means the particular month in which delivery is due on the grain you are speculating in, such as "May corn" or "December wheat."

A POINT in stocks is equivalent to $1.00 per share. In grain it refers to 1 cent per bushel.

A TIP is advice given by one who pretends or claims to have "inside information" pertaining to which way a certain stock is going to move next. As a rule "tips" are good things to "copper," which means to act just the opposite to the advice offered. In other words, they are not reliable.

A SQUEEZE generally applies to "squeezing the shorts, or bears." It means that prices are bid up by the manipulators purely for the purpose of chasing the shorts to cover. "Squeezing the bulls" as a term of the Street is obsolete; never used.

EXHAUST PRICE is the figure at which your stock or stocks must sell in order to exhaust the amount of money you have in your account as protection on trades.

SYSTEMS

Systems for "beating the market" have been figured out by the dozen and after "working" for a short time, suddenly fail utterly just when their originators have gained enough confidence in them to warrant trading in large quantities, and as a result the discoverer finds himself out of funds. Hence it is that "seedy" looking system cranks are to be met with daily looking for someone with money to back up their scheme.

Systems fail because they are not practical. The inventor attempts to secure practical results by operations based on figures which are easily conjured up by the imagination but seldom occur in actual practice. If a "system" could be found which was reliable the man who discovered it would soon "put Wall Street out of business," for he could start with a few hundred dollars and gradually acquire for himself the controlling interest in every stock on the Exchange.

That has not been accomplished yet, and it is safe to say, never will be.

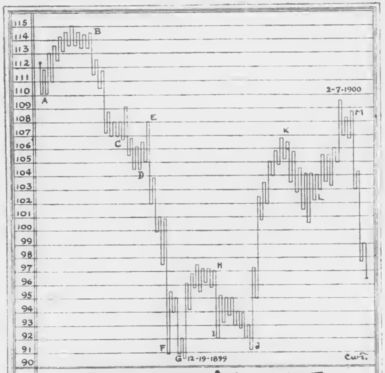
CONCERNING THE CHART THEORY.

The "chart method" of trading, however, deserves possibly more than a passing remark. There is an element of fact and practicability entering into the chart theory which places it upon a more reliable base, and we herewith furnish the principal rules and characteristics which govern such operations.

In the first place, bear in mind that it is not claimed that charts are absolutely accurate. They are merely said to point out quickly when you are on the wrong side of the market, thus enabling you to act with comparative certainty in closing out your trade and accepting a small loss instead of allowing the market to run away with you.

The idea is, that when a stock has advanced some distance into new territory, and then reacted or declined moderately, it will again make another "top"—return again to high point—before suffering a permanent decline to materially lower figures. Just in the same way, when a stock has dropped down into new low territory and the decline has been checked and followed by something of a recovery, chart students claim that the price will again decline very near, or quite to, the previous low point touched, thus making "double bottoms," which they regard as a safe signal to purchase on for a good advance. And of course, "double tops" are considered just as reliable signals to sell on. And, in looking over numerous charts of all the active stocks for months, and in fact, years back it would seem that this theory is well supported by actual facts.

If you will study the accompanying chart of People's Gas the points just mentioned will appear more clear. We select this particular movement because it shows where mistakes would have been made by the chart trader as well as the profitable trades, and thus will faithfully present both sides of the question.



PEOPLE'S GAS.

Double bottoms formed at (A) which ordered a purchase. Then followed a labored advance of five points, when a good line of "tops" formed, at (B) which ordered a sale. Thus far the information has been very good. After selling here a money-making decline follows, terminated by an excellent line of bottoms at (C) which ordered the covering of your shorts and a purchase for the long account. Here is our chance to make mistake number one.

After buying at 107 we are given only a two point advance, and then the price breaks to 106. This, being a full point under old bottom, is according to chart law a signal to sell out, it apparently being plain that we are on the wrong side of the market. So we close out long stock at 106, with one point loss, and also sell short. Then, after a one point rally, double bottoms

are made at (D). This ordered the closing of our shorts, and a purchase for the long account. On our short trade, just closed, we have over a point profit, so our previous one point loss is cancelled. After buying at (D) a three point advance carries price up to (E), where some chart traders would have sold, this being on a level with two other tops made only a short time before; but most traders would have held their trade open and would not have placed their selling order until a top was made just one point higher than (E) which would make the formation of double tops at 109. Let us say, however, that mistake number two is made at this point. The long stock is retained and is not sold out until the decline has carried the price down a full point below the double bottoms at (D). Therefore, in accordance with chart law, at 103½ you would have taken your loss of one point and also sold short, as the price, by breaking under old bottoms, indicated that the former support had been removed, and the stock is therefore not a purchase again until double bottoms form, suggesting substantial support.

At (F) the first bottom is made, and then after a four point advance a second or double bottom is formed at (G) and that, of course, is the real signal to close out shorts and buy also for the long account. A good line of tops form at (H) and later on, after the promised decline, a triple bottom is made at (I) and still later on a fourth and much more perfect bottom is formed at (J) and after again buying for the long account, as per signal thus furnished, a sixteen point advance occurs, rounded off with a good group of tops at (K). Bottoms, not as good as they might be, appear at (L) and later on excellent tops are formed at (M), promising a drop, and the decline which follows is very severe indeed.

The termination of our drawing leaves the movement incomplete but suggests a further decline, as no double bottom appears. As a matter of record, this decline, continuing from where our drawing drops it, went to 92, again touching the old accumulating point, and then reacted sharply to 105.

Charts, after all, only emphasize the old saying: "Buy on the bottom, sell on the top." But, as a means

of determining in advance the exact points at which tops and bottoms will be formed, it would seem that charts are wonderfully accurate.

How to Keep Your Own Charts.

If you intend to keep your own chart records, take a blank piece of paper and cross rule it with lines about ½ inch apart. Then draw a perpendicular line about half an inch from the left edge of the paper, clear from bottom of your sheet to the top, and in the margin thus formed place your figures representing the price scale, each successive space between your cross ruling being equivalent to a point, or $1 per share. Then begin your price line at the point on your price scale where the stock opened that morning, and if the price broke two points draw your price line down through two of the spaces, and if the price went up from the opening you would, of course, draw your line in an upward direction to the point at which the advance was checked.

Show only movements of a full point or more in extent. Lesser movements are only the nervous fluctuations, particularly in active markets, which are of no special importance.

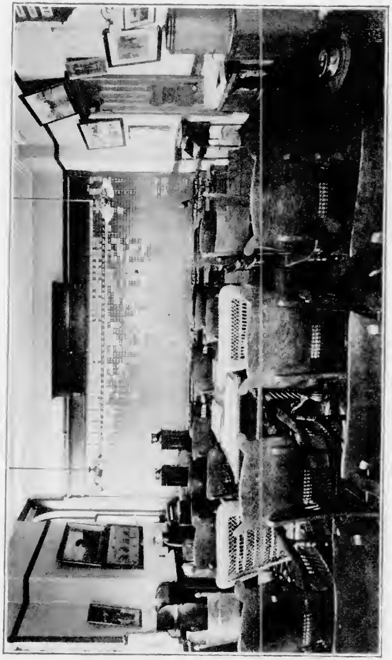
And in conducting chart operations do not confine your study to that one stock in which you are financially interested, but observe the appearance of the charts in other stocks of the same class; for instance, if you are trading in Burlington, study also the chart of St. Paul, Rock Island and Atchison, watch them all closely, and if the security you have invested in becomes dull or acts in an uncertain manner, get out of it and switch over to some other stock whose chart makes a more definite assertion.

Something About Ourselves

It is, perhaps, no exaggeration to say that we have a larger percentage of successful customers than any other house in the Street. There are two prime reasons for this, one being the close attention paid to our customers' interests by every member of the firm, and particularly by Mr. Chas. W. Morgan, who devotes his undivided time and thought to every detail of the business.

Not a letter is opened, not an order passes to the floor of the Exchange, that he does not have full knowledge of and his individual attention is also given to the answering of correspondence, so that at all times he is thoroughly conversant with the standing of every account, understands the desires of every customer, and sees to it personally that every request is promptly satisfied.

An order placed with us is never overlooked nor neglected, and when it calls for execution "at the market price" every effort is made to buy or sell, as the case may be, to the best advantage possible. A great deal of money is saved to the customer in this way in the course of a month, for trades placed judiciously frequently save at least the commission and often much more—which, of course, all means clear gain to the customer.



TRADERS' ROOM, MAIN OFFICE 71 BROADWAY, NEW YORK

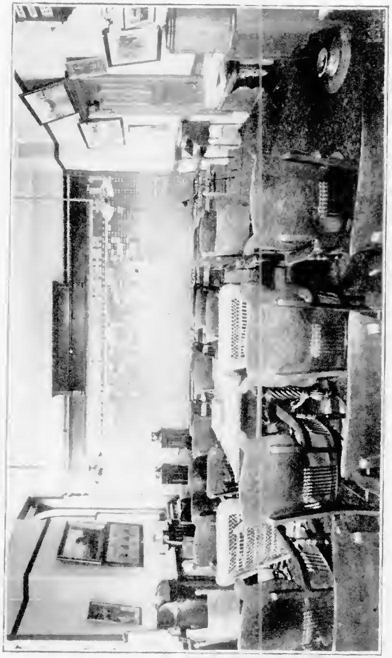
Our Market Literature.

Then, too, our daily market bulletin, mailed free to customers, is a great help, particularly to out-of-town traders. In writing this letter we endeavor, as much as possible to avoid dwelling on what HAS occurred during the day just closing and try to confine our remarks and conclusions to the probabilities for the coming market. When it seems advisable to mention the particular causes or influences which resulted in the past movements of the day we do so, and express our opinion as to whether those influences have run their course or are still in effect. We make it a point to keep our friends as well posted as possible on the actual conditions which predominate at the moment, believing such news to be of more genuine importance than our personal opinions as to what specific movements may next be expected, for when the true market conditions are set forth the average customer as a rule, is quite as able to draw correct deductions as ourselves.

Our Main Office.

Our main office in the Empire Building, 71 Broadway, is almost directly opposite the Consolidated Exchange, and our private wires lead direct to the Floor. So rapid is our service that at times our brokers can execute an order and the report will be in the hands of the customer in our Trading Room before the trade is recorded on the ticker tape.

Our Trading Room for city customers cannot be surpassed in point of elegance or requisite appointments. It is large, well lighted, and from its numerous windows a beautiful view of the bay is afforded. No expense or effort is spared to supply every facility for obtaining the latest market news, such as ticker service from both exchanges, gossip ticker and news bulletins.



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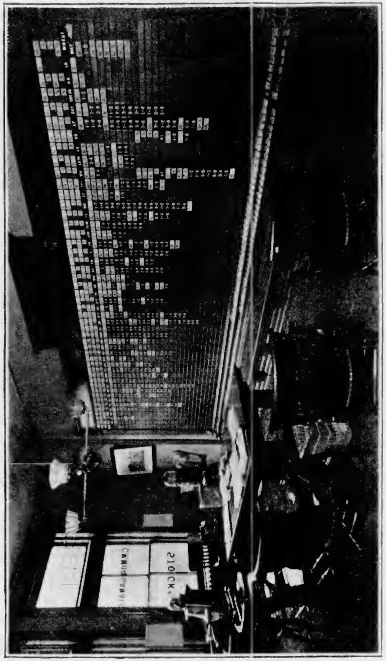


TRADERS' ROOM, 1440 BROADWAY, NEW YORK

BRANCH OFFICES.

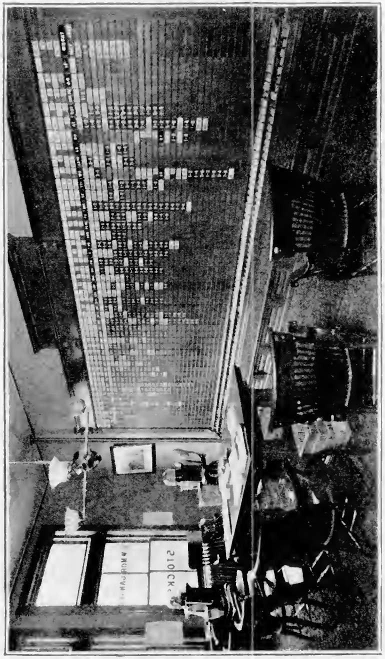
For the benefit of our uptown traders we also conduct a branch office at 1440 Broadway, near 40th Street, which is also fitted with every desirable convenience. Orders from this point can be executed with as much despatch as when placed in our main office, being transmitted over private wires and by a system which insures against delay.

Our Philadelphia office is located in the Drexel Building, corner Fifth and Chestnut Streets, and in appointment and service is fully equal to our headquarters in New York, being as elegant and efficient as ingenuity and money could make it. Two direct, private wires connect these offices, and are in the hands of skilled operators, making it possible for Philadelphia traders to operate in the New York market and secure as prompt and satisfactory service as though personally present in our Broadway trading room.

COMMISSION CHARGES.

Our commissions are the lowest offered by reliable houses, and we are prepared to execute orders for the purchase or sale of stocks and grain, either for cash or for margin account, charging $\frac{1}{16}$ of 1% for buying and the same for selling, or ⅛ for the "round turn." Thus, for every complete deal, where stock is both bought and sold, our charge would be as follows:

STOCKS.		GRAIN.		COMMISSION.
10	Shares	1,000	Bushels	$ 1 25
20	"	2 000	"	2 50
30	"	3,000	"	3 75
40	"	4,000	"	5 00
50	"	5,000	"	6 25
60	"	6,000	"	7 50
70	"	7,000	"	8 75
80	"	8,000	"	10 00
90	"	9,000	"	11 25
100	"	10,000	"	12 50
200	"	20,000	"	25 00
500	"	50,000	"	62 50
1000	"	100,000	"	125 00



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10 Shares	1,000 Bushels	$ 1 25
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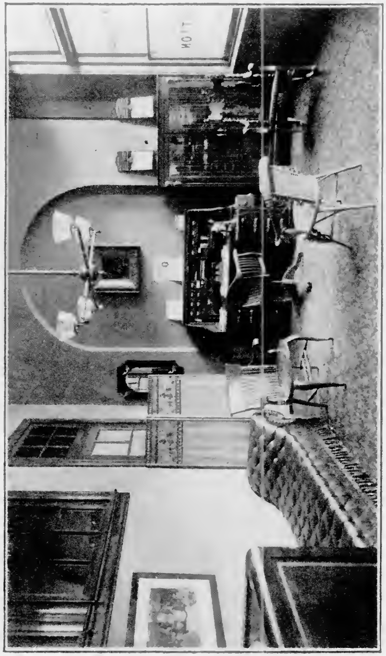
30 "	3,000 "	3 75
40 "	4,000 "	5 00
50 "	5,000 "	6 25
60 "	6,000 "	7 50
70 "	7,000 "	8 75
80 "	8,000 "	10 00
90 "	9,000 "	11 25
100 "	10,000 "	12 50
200 "	20,000 "	25 00
500 "	50,000 "	62 50
1000 "	100,000 "	125 00



PRIVATE OFFICE, 1440 BROADWAY NEW YORK

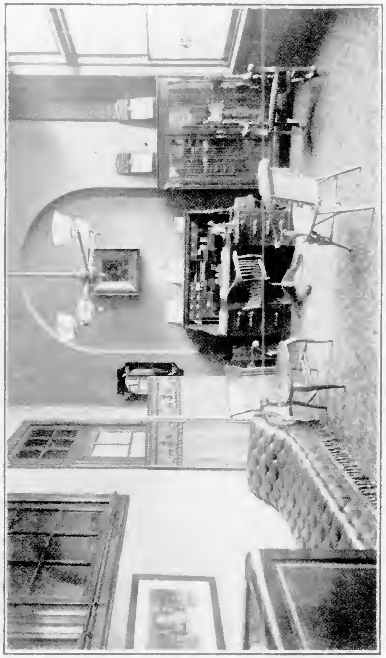
OUR FAIR SYSTEM OF CHARGING INTEREST.

Our system of charging up interest on funds necessarily borrowed with which to carry long stock is extremely fair to our customers. We charge 6% the year round, regardless of the ruling rate for "call loans." Thus, when call money can be obtained at 4% we are the gainers by this plan; but when it is necessary to pay 20, 50, and at times even as high as 100% for money on call our customers find it greatly to their interest to take advantage of our system of interest charges.

ADVANTAGES GAINED BY TRADING THROUGH US.

And finally, the service which it is possible for us to give by our facilities and by reason of our memberships on the Consolidated Stock Exchange places advantages at your command which could not be obtained when dealing through houses on the "big board." Namely, you can trade in large or small lots on the Consolidated Exchange and have your orders executed "at the market price." On the "big board" it is necessary to deal in at least 100 shares at a time in order to secure the same degree of satisfaction, for if you attempt to trade in small lots on the latter exchange, such as 10 or 20 shares, you find that you cannot have orders executed, as a rule, at the "market price." In order to buy a small quantity it is generally necessary to "pay over the market" and when you wish to sell a like number of shares you must, as a rule, discount the price.

Ten shares is the smallest quantity which can be dealt in on margin, and above that number only multiples of 10 are handled, such as 20, 50, 70 or 110; never 25, 75 or 115, etc., etc. When buying for cash, any number of shares desired can be secured.



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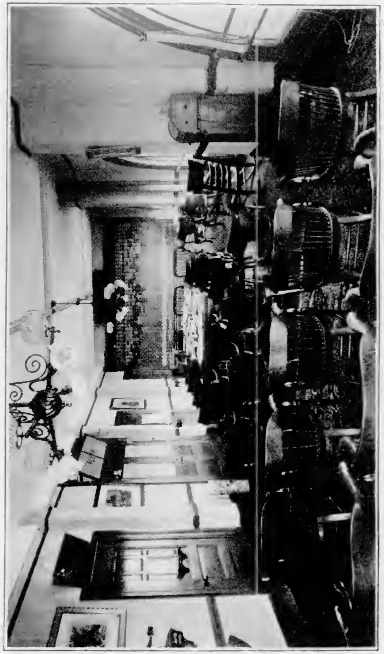

TRADERS' ROOM, PHILADELPHIA OFFICE

Therefore, it will be seen that the New York Consolidated Exchange, on which board we hold memberships, offers the best opportunities for profitable trading ; and with all due respect to our competitors, it is quite as evident that no house in the Street can possibly extend better service than that which we offer you. Wall Street presents great possibilities for money making to the man who will look at it from a business standpoint, and if you will place your account with us and operate it along the lines we have mapped out in the foregoing pages, we do not hesitate to say that you should at least secure returns on your investment such as can be earned in no other legitimate field. Last of all, remember that the market is NEVER absolutely dull. You may hear it referred to as a "dull, stagnant affair," but at such times it is only spoken of in that manner by people who are not thoroughly posted. Seldom a year passes without a month, now and then, when a so-called "dull market" prevails ; but, while the older, standard securities may at such times be offering small and narrow fluctuations, you will find, if you take the trouble to investigate, that there is quite enough action offered in other quarters to allow of the making of fortunes every week if only proper judgment is displayed.

"The Market is Always There" is an old saying, tried and true ; and by careful work on your part you can turn it to good advantage at all times.

Our services are always at your command.

Respectfully yours,

C. W. MORGAN & CO.

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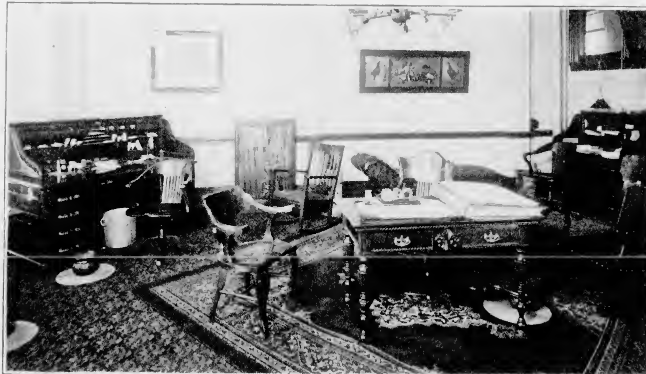

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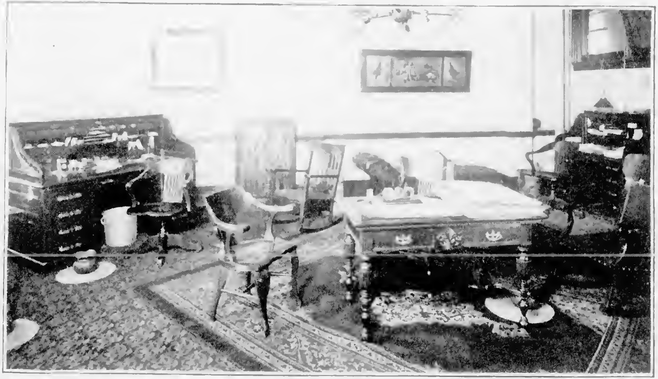

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